

THE IMPACT OF BOARD DIRECTORS' CHARACTERISTICS ON CAPITAL STRUCTURE DECISIONS: EVIDENCE FROM TOP 70 TURNOVER NON-FINANCIAL COMPANIES LISTED IN THE COLOMBO STOCK EXCHANGE

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ABSTRACT

The company directors decide all corporate decisions on the board, and these decisions are implemented after voting by shareholders. Thus, the board of directors is the main decision maker. The success and productivity of a company are significantly influenced by the characteristics of its board of directors (BOD). In particular, board directors' characteristics influence their choice of optimal Capital Structure decisions. Therefore, this study aims to investigate the impact of board directors' characteristics on capital structure decisions in the top 70 non-financial companies listed on the Colombo Stock Exchange. The dependent variable of this study is capital structure decisions, which are measured using the debt-equity ratio. The independent variables were board size, board composition, CEO duality, board meetings, and board gender. The control variables were firm size and profitability. The study population comprises non-financial companies listed on the Colombo Stock Exchange. To ensure a reasonable sample size, this study considered the top 70 turnover nonfinancial companies according to the purposive sampling method. The study covers a five-year dataset from 2019 to 2023. This study used descriptive, correlation, and regression analyses. The findings reveal that board size has a significant positive impact on capital structure, and CEO duality and board gender have a significant negative impact on capital structure decisions. Moreover, the findings revealed that board composition and meetings had no significant impact on capital structure decisions. It is supported by policymakers, regulators, and management to enhance the corporate governance system of non-financial companies in Sri Lanka. This study limited the generalizability of the findings due to its focus on a specific geographic area.

Keywords – Board directors' characteristics, capital structure decisions, corporate governance, non-financial, turnover